

Message Text

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SUBJECT: ROK ELECTRONIC SWITCHING PROJECT

REF: A) SEOUL 5306, B) STATE 161265, C) SEOUL 2389, D) STATE 63673

1. EMBOFFS CONTACTED DR. HAHN SONG JOON, PRESIDENT OF KOREAN INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST) AND DR. KYONG SANG HYON, DIRECTOR OF PROJECTS, WHO SAID THE PRIMARY OBJECT OF OBTAINING BIDS ON THIS PROJECT WAS TO FIND OUT AS MUCH INFORMATION AS THEY COULD ABOUT THE ESS SYSTEM SO THEY COULD RECOMMEND TO THE GOVERNMENT WHETHER TO PROCEED AT THIS TIME OR TO DELAY IMPLEMENTATION. BOTH GENTLEMEN GAVE THE DISTINCT IMPRESSION THAT THEIR INTERIM REPORT WOULD RECOMMEND ADOPTION OF THE ESS SYSTEM AND KOREA SHOULD PROCEED FORTHWITH. A PRELIMINARY INTERIM REPORT HAS BEEN SUBMITTED TO GOVERNMENT OFFICIALS WITH AN INTERIM REPORT DUE SHORTLY AND A FINAL REPORT BY KIST DUE SEPTEMBER 30.

2. PRESIDENT HAHN FELT THE GOVERNMENT WOULD PROBABLY NOT ASK FOR TENDERS OR BIDS AGAIN, BUT WOULD ULTIMATELY RELY ON KIST'S EVALUATION OF THE BIDS SUBMITTED BY GTE, ITT, SIEMANS, FUJITSU, AND NIPPON ELECTRIC. HOWEVER, THE ROKG WOULD PROBABLY ENGAGE IN SOME HARD BARGAINING BEFORE THE FINAL SELECTION WAS MADE IN ORDER TO GET EXACTLY THE COMBINATION OF TERMS AND PRICE IT FINALLY DECIDES IT WANTS.

3. PRIVATE REPORTS INDICATE THE TWO JAPANESE COMPANIES WERE THE LOW BIDDERS, GTE WAS IN THE MIDDLE, AND ITT AND SIEMANS THE HIGH BIDDERS. HOWEVER, IN FACT, BECAUSE OF THE VERY COMPLICATED NATURE OF THE BIDS IT IS IMPOSSIBLE AT THIS TIME TO

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DETERMINE WHO IS HIGH AND LOW UNTIL THE THOROUGH EVALUATION

PRESENTLY BEING MADE BY KIST IS COMPLETED.

4. WE ARE OF THE OPINION NO FIRM DECISION WILL BE MADE AS TO COMPANY OR COMBINATION OF COMPANIES ON THIS PROJECT UNTIL AFTER THE SEPTEMBER 30 FINAL REPORT FROM KIST.

5. DR. KYONG MENTIONED THAT HE HAD BEEN TO THE U.S. IN THE LAST FEW MONTHS TO CONFER WITH CONSULTANTS ON TELE-COMMUNICATIONS SYSTEMS, INCLUDING SOME OF THOSE NAMED IN REF D. HE URGED THEM TO ASSIST KOREA IN EVALUATING THE ESS SYSTEM, BUT IN EACH CASE WAS TURNED DOWN BECAUSE OF THE TIMING INVOLVED. LOCAL REPRESENTATIVES OF GTE AND ITT APPEARED TO BE UNINFORMED ON HIS TRIP.

6. KYONG INDICATED KIST IS STILL INTERESTED IN GETTING AT&T, THE LEADER IN ESS, TO MAKE AN OFFER. THEY HAD APPARENTLY BEEN UNWILLINGLY TO DO SO ON THE FIRST BID BECAUSE OF THE VERY SHORT TIME TO PREPARE THE SUBMISSION. HOWEVER, THE PROBABLE NEXT STEP, WHICH WILL INVOLVE NEGOTIATION, WOULD GIVE ATT TIME ENOUGH TO PREPARE A PROPOSAL. THE DEPARTMENT MAY WISH TO DISCUSS WITH AT&T THEIR INTEREST IN PURSUING THE MATTER AND IN SENDING SOMEONE OUT HERE TO REVIEW THE SITUATION.
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